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VIETNAM: The Vietnamese Communists, apparently anticipating a sticky period in the negotiations, had begun to step up their diplomatic consultations and propaganda even before Dr. Kissinger's press conference.

Truong Chinh, the second-ranking man in the North Vietnamese Politburo, left Hanoi on 16 December for Moscow at the head of a delegation to the ceremonies marking the USSR's 50th anniversary. Hoang Van Hoan, another Politburo figure, is a member of the delegation. During the customary stopover in Peking, the members of the delegation saw Chou En-lai, and press reports indicate that they also briefed some members of the diplomatic community. With Deputy Premier Le Thanh Nghi now in Paris, three of the ten Politburo members normally resident in Hanoi are out of the country.

Chinh's nomination to head the delegation seems unusual. He has conducted no official business abroad in years, apparently by concerning himself largely with North Vietnamese domestic affairs. Hanoi's top-level relations with Moscow have usually been conducted by party First Secretary Le Duan, but at this juncture the North Vietnamese may have decided that Le Duan was needed at home.

The day before Chinh left Hanoi, the Viet Cong's "Provisional Revolutionary Government" (PRG) issued a statement condemning the US for its alleged delay in signing the draft agreement. The statement, which was immediately endorsed by the North Vietnamese party daily, charged that the US was making new demands on three basic points: the "withdrawal of North Vietnamese troops," the "restoration of the Demilitarized Zone," and South Vietnam's "right to self-determination." The tone of the statement is tough, but there may be some nuances in its varying treatment of these points. It asserts outright that the Viet Cong "flatly reject" the first demand; it

makes the slightly less categorical statement that the second "unquestionably is opposed by the entire Vietnamese people;" on the third point, which deals essentially with the political aspects of a settlement, it merely criticizes Washington and Saigon without making the Communist attitude explicit.

Whatever the specifics, it seems clear that Hanoi and the PRG saw reasons, regardless of what the US did, to get on the record themselves about the state of the negotiations, and to follow up with personal representations in Moscow and Peking. Vietnamese Communist commentary on Dr. Kissinger's press conference itself has so far been predictably critical but fairly low-key.

Before going through with any major new political or military moves in the war, the North Vietnamese may await reports on the outcome of their emissaries' talks with the Chinese and Soviets. They may seek also to assess the reaction on the domestic front in the US and among Communist cadre and troops in South Vietnam--some of whom are reportedly war weary--to the impasse in the talks.

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USSR: At the opening session of the Supreme Soviet, Gosplan Chairman Baibakov revealed that 1972 was such a disappointing year that major plan goals originally scheduled for 1973 will have to be scaled down.

The four-percent growth in national income announced by Baibakov for 1972 was the lowest since 1963, and reflects the failure to fulfill the industrial goal and the large decline in agricultural output. The main reasons for the industrial slowdown are the admitted failure to introduce new production capacity, exemplified by unfulfilled gas and oil goals, and the slow growth in the food industry, a direct result of the poor harvest.

In reaction to the poor performance in 1972, the leadership has been forced to scale down major industrial goals for 1973. Industrial production, for example, is scheduled to grow at only 5.8 percent compared with the 7.8 percent previously planned. The increase planned for Group A industries (industrial materials and machinery) is 6.3 percent compared with the 7.6 percent goal previously planned. The goal for Group B industries (largely consumer goods) was trimmed from 8.1 percent to 4.5 percent. Baibakov admitted that the "somewhat" lower rates planned were due to "a lag in the commissioning of production capacities, especially in ferrous metallurgy, in the chemical, oil, gas, and light industries, as well as a shortage of a number of agricultural raw materials." Among the material goals cut back were those for oil and gas extraction.

The agricultural sector apparently maintains its high priority. Agriculture actually received more investment than planned in 1971-72, and under the revised plan for 1973 is scheduled to receive as much investment as originally planned. These large investments, however, will not result in immediate benefits to the consumer. Although the USSR has purchased enough grain to make up for its 1972

shortfall, shortages of other farm products and a reduced livestock inventory will depress the 1973 growth in supplies of consumer goods. In fact, Baibakov could promise that only "in the main" supplies of food and other consumer goods will be sufficient. In an attempt to maintain the balance between supply and demand, the growth in money income will be held below the much-touted five-year plan program.

Finance Minister Vasily Garbuzov announced that the annual allocation for defense is 17.9 billion rubles--the identical figure that was announced in the previous three years. The announcement of another unchanged defense budget presumably was designed to project an image of moderation and detente consistent with the spirit of the Strategic Arms Limitation Agreement.

The published defense figure as usual, however, excludes a number of items normally associated with defense. The largest and most significant of these is military research and development. Military R&D programs are funded principally from the science allocation of the budget. Total science allocations for 1973 were reported by Minister Garbuzov to total some 15.5 billion rubles--an increase of 7.2 percent over the 1972 figure of about 14.4 billion rubles. The increase of only 7.2 percent represents a moderate decline in the recent growth rate of total science expenditures. The figures released by Garbuzov provide no indication whether the military portion of the total science budget will be increased.

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<u>USSR</u>: The Central Committee yesterday added Vladimir I. Dolgikh to the party secretariat, dropped V. P. Mzhavanadze as candidate member of the Politburo, and approved a budget and a revised economic plan for 1973.

Dolgikh probably will assume the responsibility for heavy industry that Mikhail Solomentsev exercised before he became RSFSR premier in July 1971. To his new post, Dolgikh, 48, brings the background more of an industrial manager than a party apparatchik. He has a reputation for energetic promotion of Siberian development. He served as director of the Norilsk Mining - Metallurgical Combine from 1962 to 1969, when he became party chief of the Krasnoyarsk Kray in eastern Siberia.

In that position, Dolgikh forcefully argued in many forums--including the 24th Party Congress and to Western newsmen--the economic rationale for developing industry in his region and the necessity for building corresponding housing and social facilities there at an accelerated rate. Although Dolgikh appears to have no close ties to any senior leaders in Moscow, in June 1971 party chief Brezhnev cited the comprehensive plan to develop Krasnoyarsk during 1971-80 as a model for other eastern regions.

Mzhavanadze's retirement in September as Georgian party chief and a publicized crackdown on corruption and mismanagement in the Republic presaged his departure from the Politburo.

The plenum also approved the economic plan and budget prior to their passage by the Supreme Soviet session that opened the same day and heard a concluding address by Brezhnev. 25X1

UGANDA: President Amin's announcement Sunday night of the seizure of a number of British-owned tea plantations and industrial firms fell short of his long-promised "drastic decision" on the British presence in Uganda.

The President did not take over the largest British firms, and some British employees of those seized apparently will be asked to stay on as consultants. Amin, who failed to announce any expulsions, said he did not intend to break relations with London and expressed hope that ties could be strengthened. He did say, however, that if any of the approximately 800 British physicians, teachers, and technicians employed by Uganda, whose salary supplements are soon to be ended by the UK, did not want to stay on at Ugandan salaries, they must leave by the end of the month with few of their personal effects; those remaining will be investigated by a government committee.

The President's relatively mild anti-British measures may have resulted from a desire to forestall further disruption of the country's economy, already suffering from the departure of Asian and Western technicians, medical personnel, teachers, and businessmen. In addition, Amin, who has dispatched teams to several countries, including the US, to recruit teachers and technical and medical personnel may not be receiving as many experts as promised by his Arab benefactors, notably Libya.

Amin's speech, however, did not foreclose more serious moves against the British, as well as other Westerners. He denounced the UK's "colonialist policy" and accused London of attempting to have Uganda expelled from the Commonwealth and of pressing other countries to take "retaliatory" measures against Kampala. He also said that the UK had pressed the US into withdrawing the Peace Corps contingent. 25X1

<u>URUGUAY</u>: President Bordaberry is planning a number of military reassignments to undercut the strength of military leaders who want a more active role in government.

Bordaberry's move to transfer key officers comes at a time when the military is still debating its proper role. Many senior officers, including regional commanders Generals Cristi and Zubia, have previously stated that they will not return to the barracks after the military's success against the Tupamaros urban guerrilla movement. Heady with success, they have been calling for the correction of economic abuses uncovered by interrogations of Tupamaros. The military has also flexed its muscles in pressing for the prosecution of politicians who have been critical of the armed forces. Bordaberry has made some concessions to the military's growing interest in participation in government by announcing his intention to appoint officers to positions in Uruguay's regulatory agencies and public enterprises.

The coming transfers will probably be effected without serious difficulty and with the cooperation of the commanders in chief of the army and navy, who have shown some reluctance to have the armed forces plunge into civilian matters. Efforts to curb military ambitions by transfers will probably have only temporary success, however, since the country is small and most military units are stationed in and around Montevideo. 25X1

TUNISIA-LIBYA: President Bourguiba's blunt rejection of President Qadhafi's union proposal is likely to cool relations between the two leaders despite their agreement in principle to solve long-standing bilateral problems.

During a public rally over the weekend for the visiting Libyan President, Bourguiba characterized Qadhafi as sincere and devoted, but very inexperienced. He refuted Qadhafi's rationale for immediate union point by point and conceded only that Arab unity is a remote goal to be achieved after years of cooperation by the Arab nations.

The two leaders publicly announced a broad program of economic cooperation and their intention to settle disputes over the continental shelf and labor migration. This agreement, however, is not likely to mitigate Qadhafi's probable reaction to what he must regard as Bourguiba's insults and heretical views on Arab nationalism. Qadhafi may be content to wait for the ailing 69-year-old Tunisian leader to die, but the Libyan President will probably encourage, and perhaps aid, radical elements in Tunis with the hope of influencing the selection of a more congenial successor. 25X1

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<u>MAURITANIA</u>: President Ould Daddah is seeking a greater degree of monetary independence from France.

Ould Daddah has announced the creation of a national currency to replace the franc issued by the African Financial Community (CFA), a subgrouping of the franc zone. Nouakchott has also announced its withdrawal from the West African Monetary Union, the formal mechanism that links the CFA member states in West Africa. In addition, Nouakchott has asked France to provide a line of credit for use when Mauritania's foreign exchange reserves incur a deficit. Algeria and Tunisia, which have a similar arrangement, exercise considerable financial autonomy while remaining associate members of the franc zone. The two Maghreb countries back their own currencies.

Mauritania apparently intends to back its currency with the earnings of its copper and iron mining operations. Ould Daddah and other officials have stated their belief that these resources would allow Mauritania to guarantee its own money. The president may also hope for some form of Libyan support. The two countries have recently established a joint bank in Nouakchott, and Tripoli has provided substantial aid. Libyan officials have [redacted] disclaimed any involvement, but Prime Minister Qadhafi's desire to expand Libyan influence in African countries might lead him to provide credit arrangements if Paris refuses to do so. 25X1

Major issues have yet to be resolved in working out the new monetary arrangement with France. Paris will probably be reluctant to grant the Mauritanians the arrangements the two Maghreb countries enjoy, fearing the effect this precedent would have on its other client states. Some of them, like Mauritania, are seeking revision of the cooperation agreements that define their basic relations with France. The other states have not yet demanded national currencies, but they will probably insist on even more

flexible franc zone arrangements if Paris accedes to Mauritania's wishes. President Pompidou is prepared to make more of the CFA countries' earnings available for African economic development. He is also sympathetic toward the growing African desire for a larger role in money management, but he is unwilling to guarantee a currency France does not control.

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JAPAN: The growth of Japan's trade surplus with the US showed no signs of slowing in November and a surplus in excess of $4 billion is expected for the year. Japan's exports to the US last month were 14 percent higher than in November of last year, while imports from the US rose only 13 percent. This contrasts with a 22-percent increase in the worldwide growth of Japan's exports and a 25-percent rise in imports for the same period. Because Japan's exports to the US normally boom in December, the surplus for the final month of 1972 probably will be particularly large. [redacted] 25X1

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YUGOSLAVIA: Recent changes in the leadership of the Serb party secretariat and the subordinate Vojvodina party organization mean that a second wave of purges in Serbia may be under way. The move toward consolidating the new Serb regime continued yesterday with the announcement that the Vojvodina's Mirko Canadanovic, who was appointed by purged party boss Marko Nikezic, resigned from the Vojvodina party leadership. A Serb party plenum last Friday announced the packing of the secretariat, which creates a new majority of pro-Titoist appointees over the remaining proteges of Nikezic. The stage is now set for further changes, possibly including Mahmut Bakali, party boss in the Kosovo who is vulnerable because of his close ties to Nikezic. [redacted] 25X1

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(continued)

ICELAND: The government has devalued the krona 10.7 percent to curb the growing trade deficit. The devaluation appears to be a compromise between the Organization of Liberals and Leftists supported by the Progressive Party, which had demanded that the krona be floated, and the Communist Peoples Alliance, which had rejected this move. All trading in foreign exchange was suspended yesterday but is expected to resume today. In the short run, at least, devaluation is likely to aggravate inflation, Reykjavik's other major economic problem. The cost of living rose 14 percent between August 1971 and August 1972. In the absence of restrictive measures to restrain domestic demand, the rate of inflation is likely to increase in 1973. 25X1